

# Introduction to Flexible Spending Accounts

Presented by



**State Personnel Department**

Benefits Division



# Flexible Spending Accounts

- Flexible Spending Accounts (FSAs) provide the opportunity to set aside pre-tax dollars from each paycheck for reimbursement of qualified medical and/or dependent care expenses.
- You can enroll during open enrollment or by the Monday following the pay period in which you were hired.



# Key Benefit Administrators

- FSAs are set up and administered through Key Benefits Administrators.
- Each FSA will be accompanied by a \$2.00 bi-weekly administrative fee.
- **Contact Information**
  - 800-558-5553 (toll-free)



# Flexible Spending Accounts

- The state offers three flexible spending accounts to choose from:
  - Medical Care Flexible Spending Account
  - Limited Purpose Flexible Spending Account
  - Dependent Care Flexible Spending Account

# Medical Care Flexible Spending Account





# Medical Care Flexible Spending Account

- Medical Care FSAs are front-loaded accounts. Annual contributions are paid back throughout the year out of the employees' bi-weekly paycheck.
- The maximum annual contribution for the Medical Care FSA is \$5,000.



# Medical Care Flexible Spending Account

- This plan is designed to allow employee pre-tax dollars to cover health care costs including medical, dental, vision and hearing expenses that are not paid by insurance and other out-of-pocket expenses.
- These expenses must be incurred within the plan year plus the grace period.



# Medical Care Flexible Spending Account

- Some eligible expenses would include:
  - Expenses for medical plan co-payments
  - Deductibles
  - Prescriptions
  - Physician visits
  - Chiropractic care
  - Vision
  - Dental/orthodontia care





# Medical Care Flexible Spending Account

- *Beginning January 1, 2011, the cost of over-the-counter medicines MAY NOT be reimbursed through FSAs, unless the medicine is prescribed by a physician.*
- Other ineligible expenses:
  - Cosmetic treatments
  - Expenses only to improve your general health or well-being
  - Hair replacement treatment or drugs
  - Health club dues
  - Long-term Care Insurance
  - Marriage and family counseling
  - Nutritional supplements/vitamins
  - Teeth whitening, toothbrush



# Medical Care Flexible Spending Account

- Participation in a Medical Care FSA disqualifies you from contributing to an HSA.
- You must re-enroll in your Medical Care FSA each year if you wish to continue to participate.
- ***As a reminder, Medical Care FSAs have a use-it-or-lose-it rule. Money left at the end of the plan year is not rolled over or reimbursed (See Grace Period).***



# Grace Period

- The Grace Period will allow expenses incurred within the first 74 days of this plan year to be reimbursed from your previous plan year if a balance remains in that account.
- Claims may be incurred through the end of the Grace Period, March 15<sup>th</sup>, each plan year and submitted via the claim form no later than 90 days after the end of the Grace Period, June 15<sup>th</sup>, each plan year.

# Limited Purpose Medical Care Flexible Spending Account





# Limited Purpose Medical Care Flexible Spending Account

- Limited Purpose Medical Care FSAs are front-loaded accounts. Annual contributions are paid back throughout the year out of the employees' bi-weekly paycheck.
- The maximum annual contribution amount for the Limited Purpose Medical Care FSA is \$5,000.



# Limited Purpose Medical Care Flexible Spending Account

- Reimbursement under the Limited Purpose Medical Care FSA will be limited to:
  - Services or treatments for dental care (excluding premiums)
  - Services or treatments for vision care (excluding premiums)
  - Services for preventive care. Preventive care limited to diagnostic procedures and services or treatments taken to prevent the onset of disease or condition that is not imminently possible. **Preventive care does not include services or treatments that treat an existing condition. A diagnosis or letter of medical necessity may be required to consider claim reimbursement.**



# Post Deductible Medical Care Flexible Spending Account

- Once the minimum deductible for the CDHP is met (*single coverage deductible is \$1,200 and family coverage deductible is \$2,400*), your Limited Purpose FSA can then be used to begin paying additional qualified medical expenses.



# Post-Deductible Medical Care Flexible Spending Account

- Some eligible expenses would include:
  - Expenses for medical plan co-payments
  - Deductibles
  - Prescriptions
  - Physician visits
  - Chiropractic care
  - Vision
  - Dental/orthodontia care





# Post-Deductible Medical Care Flexible Spending Account

- *Beginning January 1, 2011, the cost of over-the-counter medicines MAY NOT be reimbursed through FSAs, unless the medicine is prescribed by a physician.*
- Other ineligible expenses:
  - Cosmetic treatments
  - Expenses only to improve your general health or well-being
  - Hair replacement treatment or drugs
  - Health club dues
  - Long-term Care Insurance
  - Marriage and family counseling
  - Nutritional supplements/vitamins
  - Teeth whitening, toothbrush



# Limited Purpose Medical Care Flexible Spending Account

- Limited Purpose Medical Care FSA coverage is qualified coverage for those also participating in a HSA.
- You must re-enroll in your Limited Purpose FSA each year if you wish to continue to participate.
- ***As a reminder, Limited Purpose FSAs have a use-it-or-lose-it rule. Money left at the end of the plan year is not rolled over or reimbursed (See Grace Period).***



# Grace Period

- The Grace Period will allow expenses incurred within the first 74 days of this plan year to be reimbursed from your previous plan year if a balance remains in that account.
- Claims may be incurred through the end of the Grace Period, March 15<sup>th</sup>, each plan year and submitted via the claim form no later than 90 days after the end of the Grace Period, June 15<sup>th</sup>, each plan year.

# Dependent Care Flexible Spending Accounts





# Dependent Care FSA

- Dependent Care FSAs differ from other FSAs in that they are not front-loaded.
- Portions of your bi-weekly pay is put into a pre-tax account to help pay for eligible dependent care costs throughout the year.
- The maximum annual contribution amount for the Dependent Care FSA is \$5,000 (\$2,500 if you are married and filing separate tax returns).



# Dependent Care FSA

- Dependent Care costs include most dependent care expenses for eligible children and adults.
- Eligible expenses include:
  - Expenses paid for the care of a dependent under the age of 13
  - Expenses paid for the care of a dependent who is physically or mentally incapable of caring for himself or herself
  - Expenses paid to a dependent care provider



# Dependent Care FSA

- Ineligible expenses include:
  - Kindergarten
  - Field trips, lunches, supplies and transportation fees
  - Overnight camps
  - Care for dependent that lives outside of the employee's home
  - Registration



# Dependent Care FSA Eligibility

- To be eligible you and your spouse (if married) must be employed or attend school.
- Your dependent must be under age 13 or physically and/or mentally incapable of caring for him or herself.
- If you are divorced, your child must be in your custody for at least six months out of the year.





# Dependent Care FSA

- You may participate in the Dependent Care FSA without any HSA restrictions.
- You must re-enroll in your Dependent Care FSA each year if you wish to continue to participate.
- ***As a reminder, Dependent Care FSAs have a use-it-or-lose-it rule. Money left at the end of the plan year is not rolled over or reimbursed (See Grace Period).***



# Grace Period

- The Grace Period will allow expenses incurred within the first 74 days of this plan year to be reimbursed from your previous plan year if a balance remains in that account.
- Claims may be incurred through the end of the Grace Period, March 15<sup>th</sup>, each plan year and submitted via the claim form no later than 90 days after the end of the Grace Period, June 15<sup>th</sup>, each plan year.



# Flexible Spending Accounts

- It is important to be conservative when allocating the yearly amount into any of your FSAs.
- You should only consider known expenses and in the case of the Dependent Care FSA, factor in vacations or times when you will not be paying the dependent care provider.



# Flexible Spending Accounts

- Annual allocation amounts can only change if one or more of the following status changes takes place:
  - Marriage or divorce
  - Death of a spouse or dependent
  - Birth or adoption of a child
  - Change in you or your spouse's employment
- *Status changes must be consistent with the status change event.*



# Flex Card

- The Flex Card is a MasterCard offered to enhance your FSA by providing instant access to your FSA account.
- Rather than paying out-of-pocket money for qualified expenses and waiting for reimbursement, your Flex Card transfers funds for qualified expenses directly from your FSA funds to the provider.



# FSA Forms

- If you choose not to use your FSA Flex Card, or if your provider does not accept them, claim forms can be found on the State Personnel Department website:

<http://www.in.gov/spd/2641.htm>



# **Please contact State Personnel Department Benefits Division for any questions about FSAs**

## **Benefits Hotline**

- Local: 317-232-1167
- Toll Free: 1-877-248-000

## **E-mail**

- [SPDbenefits@spd.in.gov](mailto:SPDbenefits@spd.in.gov)